

DoC
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DEFINITION OF CIVIL GOVERNMENT AND COMMERCIAL SPACE
SECTORS

ISSUE

Should U.S. government space policy formally recognize the existence of an independent, non-governmental commercial space sector and implement pro-market principles to encourage commercial space activity.

BACKGROUND

Where U.S. space policy has clearly advocated private sector activity in space, (namely, communications satellites and expendable launch vehicles) there has been a strong demonstration of private sector initiative and performance. However, U.S. space policy formally recognizes only three sectors: military, foreign national intelligence and civil. The civil sector currently encompasses civil government and private commercial, but does not distinguish between them. This failure to distinguish between private and public sectors means that the civil government sector does not have clear policy directives that shape its relationship to actual and potential private sector initiatives in space. The private sector cannot plan, raise capital and undertake activities because of uncertainty about the broad scope of future actions by civil government that may compete with private firms or preempt the private sector completely in some activities.

PROPOSAL

U.S. space policy should formally recognize four sectors: military, foreign national intelligence, civil government and an independent, non-governmental commercial sector.

The Department of Commerce proposes a set of market-oriented principles that define the relationship of the government to the commercial sector. They would:

- o prescribe commercially reasonable procurement practices;
- o prohibit competition with the private sector;
- o foster technology transfer and cooperative research arrangements with the commercial sector;
- o require elimination of legal and regulatory disincentives to commercial space development; and,
- o encourage free and fair trade in commercial space activities both domestically and internationally.

IMPLICATIONS

Government space sectors will rely on the private sector to fulfill most or all routine, operational space requirements. Government procurement will stimulate private sector investment to supply government requirements on a commercial basis, thus creating the foundation for expanding commercial space activity.

A firm commitment will be made not to compete with the private sector. The civil government space sector will not provide services or build hardware which could be supplied commercially and will facilitate commercial substitution of space goods and services previously provided by the government.

Relevant government agencies will facilitate transfer of government developed technology to U.S. companies in a manner which preserves its commercial value, and engage in mutually beneficial cooperative research arrangements with U.S. companies.

The proposed policies will permit reorientation of civil government programs to provide long-term support for basic space science, exploration and advanced technology development.

By formally recognizing the commercial space sector and defining the role of the government, the proposed policies will foster a stable and certain environment which will promote investment, risk-taking and the search for new opportunities and applications by the private sector.

All government agencies will have to review existing practices and regulations to eliminate those that unnecessarily inhibit or preempt commercial space sector activities.

Government agencies involved in trade policy and practice will have to identify subsidies or protection of foreign space industries and actively negotiate trade agreements to establish and enforce free and fair trade practices.

PROS

A market based approach:

- o Is consistent with Administration policy in general and commercial space policy in particular.
- o Is an appropriate response to the private sector's request for greater stability in government space policy.
- o Will stimulate private investment and innovation in space goods and services through government purchase of commercially supplied goods and services.
- o Government procurement on commercially reasonable terms will broaden the industry base, thus providing lower costs and greater flexibility to the government as a customer.

- o Will allow deferral of some near-term budget commitment by lowering total cost to the government and transferring upfront funding of some space operations from the government to the private sector.
- o Will provide an expanded and more diverse industry base that will benefit national security.
- o Will foster more rapid commercial development in space by de-coupling it from the Federal budget process thus improving the U.S. competitive position in a new area with significant economic potential.
- o Will provide clear guidance to civil government agencies for program planning and budgeting. The civil government programs can concentrate in areas where contribution is greatest rather than spread across many areas.

[Cons provide by other agencies.]